

The Republic of Montenegro
Government of the Republic of Montenegro

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The Law on Free Zones

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The LAW ON FREE ZONES

I. GENERAL PROVISIONS

The User of the Zone and the Warehouse

Article 4

The zone or the warehouse user is a domestic or foreign legal or natural person performing business activities in the zone or warehouse territory.

Business Activities in the Zone and the Warehouse

Article 5

All business activities may be conducted in the zone and the warehouse, except those presenting hazard to the environment, human health, material goods and the country's safety, in accordance with the Law.

Sub-zones

Article 6

The zone may have its separate parts – sub-zones.

The conditions concerning the customs surveillance referred to in Article 2 of this Law also apply to the sub-zone.

II. THE ESTABLISHMENT AND THE BEGINNING OF OPERATION IN THE ZONE AND THE WAREHOUSE

The Competence

Article 7

The Government of the Republic of Montenegro (hereinafter referred to as: “the Government”) decides on the founding of the zone and the warehouse, subject the proposal by the Ministry for International Economic Relations and European Integrations (hereinafter referred to as: “the Ministry”).

The Location of establishment of the Zone and the Warehouse

Article 8

The zone and the warehouse may be founded in the area of or in the vicinity of the seaport or airport, as well as in other suitable locations.

The conditions for establishment of the Zone and the Warehouse

Article 9

The zone and warehouse are founded if that is economically justified, and if other physical requirements (spatial, infrastructural, etc) have been met or will be met, subject to previously issued opinion by the competent state authorities.

The founding of the Zone and the Warehouse is economically justified if it can be realistically expected that it will achieve significant results concerning exportation, employment, modern technologies transfer, economic restructuring, etc.

Articles of Incorporation of the Zone and the Warehouse and Founder's Contract

Article 10

The Founder passes the Articles of Incorporation of the Zone, and warehouse, which will contain particularly the name(s) of the founder(s), the name and the seat of the zone and warehouse, the location of establishment and the area it covers, the subject who will manage it, and activities that will be performed.

If the zone and the warehouse have several founders, their mutual rights and obligations will be regulated by the contract.

Request for Approval for the establishment of the Zone and the Warehouse

Article 11

The founder submits to the Ministry, the request for approval for the founding of the zone or the warehouse.

The following will be enclosed to the application referred to in paragraph 1 of this Article:

1. Articles of Incorporation of the zone or the warehouse;
2. Study on the economic justification of the founding of the zone or warehouse of interest for the state;
3. Proof that at least one of the founders has the right of property of the land to be covered by the future zone or warehouse, or the right to use it on some other grounds as well and that will use it in accordance with the purpose determined in the urban-spatial documentation;

The content of the elaborate referred to in paragraph 2, item 2 of this Article shall be prescribed by the Government.

The Government shall issue decision referred to in paragraph 1 of this Article within 60 days.

The decision on Government approval referred to in paragraph 4 of this Article shall be published in the Official Gazette of the Republic of Montenegro.

The approval will cease to be in effect if the zone or warehouse fails to start operating within a year from the date when approval was granted.

The time limit referred to in paragraph 6 of this Article may be extended for justified reasons, in accordance with general regulations.

The Ministry shall keep in register articles of Incorporation of the Zone and warehouse, contracts referred to in Article 10, paragraph 2, as well and their founders.

The Customs Administration issues the act on the beginning of the activities in the Zone or warehouse if the requirements for conducting customs surveillance in its area, specified in the Article 2 of this Law, have been met.

Reporting about Operations in the Zone and the Warehouse

Article 13

The founder of the zone or the warehouse is obliged to submit to the Government latest by March 31 of current year, and at least on annual basis, Report about Operation of the zone or the warehouse for previous year, subject to the request from the Ministry.

The content of the Report referred to in paragraph 1 of this Article shall be prescribed by the Government.

The establishment and beginning of Sub-zone Operations

Article 14

The provisions of this Law governing the founding and the beginning of operations in the zone are applied *mutatis mutandis* to the expansion of the zone or the founding of the sub-zone as well.

III. MANAGEMENT OF THE ZONE AND THE WAREHOUSE

The Zone and the Warehouse Operator

Article 15

The zone or the warehouse is managed by the entity specified in the Articles of Incorporation (hereinafter referred to as: "the Operator").

The Operator may be any domestic or foreign, legal or natural person.

In addition to managing the zone, the Operator may at the same time act as its user, which is defined in the contract with the Founder.

The Zone and the Warehouse Management Activities

Article 16

The zone and the warehouse management includes the following activities:

1. prescribing general business rules in the zone and warehouse and zone and warehouse tariffs;
2. deciding on requests for conducting business activities in the zone and warehouse, including signing of contracts with the users;
3. prescribing and ensuring internal order in the zone and warehouse, including the entry and exit regimes;
4. creating conditions for normal conducting of customs surveillance, inspection supervision and other;
5. defining and implementing the environment protection measures in accordance with regulations;
6. execution of competences related to urban planning in accordance with regulations;
7. other activities specified by general rules in the zone and the warehouse

The Operator signs contract with the User and submits it to the Customs Administration.

In case that Operator is changed, the rights and obligations determined in

IV. SPECIAL CONDITIONS FOR BUSINESS ACTIVITIES IN THE ZONE AND THE WAREHOUSE

Treatment of Goods in the Zone and the Warehouse

Article 18

The goods entered into the zone and warehouse and consumed or used in accordance with this Law, are not subject to customs duties, customs charges, and the value added tax.

The goods referred to in paragraph 1 of this Article may remain in the zone or the warehouse indefinitely.

The provision referred to in paragraph 1 of this Article will be applied regardless of the type of goods imported and the purpose thereof in the zone and the warehouse, including the goods imported by the Operator and the User and intended for construction and maintenance of facilities, infrastructure and equipment in the zone or warehouse, and, generally, for creation of the conditions for functioning and development of the zone and the warehouse.

Obligations of the Users concerning Customs Supervision and Record Keeping

Article 19

The User is obliged to enable the implementation of the customs supervision measures and to keep prescribed records of the goods entering and exiting the zone and the warehouse.

Free Foreign Trade Regime

Article 20

The licenses or other possible restrictions on foreign trade will not apply to goods imported from abroad into the zone and warehouse nor to the goods for export to abroad.

Referring the Goods from the Zone and the Warehouse to the Other Parts of the Territory of the Republic

Article 21

The goods from the zone and warehouse being referred to other parts of the territory of the Republic in order to be placed into circulation will be subject to customs duties, customs charges and the value added tax, and application of possible import restrictions.

The customs duties and customs charges shall not be paid for the domestic component (raw materials, workforce, etc) in the goods referred to in paragraph 1 of this Article.

The goods referred to in paragraph 1 of this Article, where the domestic component exceeds 50%, shall not be subject to restrictions related to the foreign trade regime.

The goods referred to in paragraph 1 of this Article must be registered to the competent Customs Office.

Temporary Entry and Taking Out of the Goods

Article 22

The goods may be temporarily taken out of the zone and the warehouse at the other parts of the territory of the Republic, or taken into the zone and warehouse from other parts of the territory of the Republic, for the purposes of processing (reprocessing, finishing or treatment), mounting, testing, attestation, repair, marketing presentation, etc.

The goods that are temporarily taken out of or taken in as referred to in paragraph 1 of this Article will be registered in the competent Customs Office.

The goods that are temporarily taken out of the zone and the warehouse shall be returned into the zone and the warehouse or exported abroad within the period

Tax Relief's

Article 23

The User and the Operator will not be liable to pay profit tax.

Payments in the Zone and the Warehouse

Article 24

The payment operations with abroad, and their mutual payment operations, the Users will carry out freely, in accordance with the agreed manner and within the agreed terms, through a bank in the zone or other bank with the seat in the Republic.

The Law on Banks of the Republic of Montenegro shall be applied on establishment, issuance and taking of operational licenses, status changes, business, managing, administration and control over operations of banks that are established and perform business in the zone.

The payment operations in the zone and warehouse may be effected in the agreed currency.

The provision of paragraph 1 of this Article shall be also applied to payment operations between the Users and the Operator.

Credit relations

Article 25

For the purpose of conducting business in the zone, the Users and Operators may draw loans from abroad, create conditions to do so, or grant loans for such purposes, freely and without any limitations that may be provided by general regulations.

Article 26

Rights and obligations of employees in the zone and the warehouse and the procedure for their implementation shall be regulated by the labor contract, in accordance with the law and the collective agreement.

Free Negotiation of Wages

Article 27

The employers (Users and Operator) and the employees in the zone and the warehouse may freely negotiate the level of salaries and the manner in which the salaries are paid.

Minimum Percent of Domestic Manpower with the User.

Article 28

Out of the total number of employees with an individual User, not more than 10% may be foreign citizens.

Employment Bureau in the Zone

Article 29

A separate Employment Bureau may be founded for the territory of the zone and the warehouse.

Lease of the Land and Facilities, an d Building within the Zone and the Warehouse

Article 30

The Users will use the land and facilities in the zone and warehouse based on the contract concluded with the Operator

On the leased land, for the purpose of performing the business, the User may build a temporary or permanent structure in his ownership, or buy such structure from the Operator or other User.

Exemption from Reciprocity

Article 31

The User of the zone and the warehouse – a foreign person, may acquire the ownership right in a facility in the zone for performance of business, regardless of the reciprocity principle.

Authorizations of the Operator related to urban planning

Article 32

The Operator will provide through competent republican and local self-government authorities spatial and urban plans for the territory of the zone and warehouse, define the urban-technical requirements, issue acts on location, building permit and use permit, and perform other necessary activities with regard to planning and using the territory of the zone and the warehouse and building of facilities thereof.

Functions of the Competent Ministry

Article 33

The republican authority competent for urban planning affairs shall supervise lawfulness in the implementation of the Operator's authorizations referred to in Article 32 of this Law.

Free Investment of Capital and Transfer of Profits

Article 34

The capital investments at the territory of the zone and the warehouse, and transfer of profits and stakes, are free.

Ownership over Banks and Insurance Companies

Article 35

The banks and other financial organizations and insurance companies with a seat in the zone and warehouse may be entirely in the ownership of a foreign person, in accordance with the law.

Exemptions from Nationalization and Expropriation

Article 36

Property of the Operator and the User may not be subject to nationalization or expropriation.

V CONDITIONS FOR CESSATION OF OPERATIONS IN THE ZONE AND THE WAREHOUSE

Conditions for Cessation of Operations in the Zone and the Warehouse

Article 37

If, in the course of the operation of the zone and warehouse, it is proved that the requirements stipulated by this Law regar

Competences

Article 40

The authorized person in the competent ministry shall handle the first-instance procedure relating to the offences referred to in Article 38 of this Law.

The competent Customs Office will handle the first-instance procedure relating to the offences referred to in Article 39 of this Law.

VII TRANSITIONAL AND FINAL PROVISIONS

Cessation of Other Regulations

Article 41

On the day this Law comes into effect, the Law on Free Zones (FRY OG No. 81/94), shall cease to apply.

Adjustment of work for existing zones

Article 42

The zones and the warehouses founded by the date this Law come into force, shall keep their operations in accordance with this Law.

Coming into Force

Article 43

This Law shall come into force eight days after its publication in the Official Gazette of RM.